

# Legal Assistance Resource Center ❖ of Connecticut, Inc. ❖

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## H.B. 6924 -- Doubling of small claims jurisdictional maximum

Judiciary Committee public hearing -- March 6, 2015

Testimony of Raphael L. Podolsky

<b>Recommended Committee action: NO ACTION ON THE BILL</b>
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This bill proposes to double small claims court jurisdiction from \$5,000 to \$10,000. Although as an informal court small claims is easier to use than a more formal court, there are important reasons why a doubling of the maximum to \$10,000 is not a good idea.

- Small claims court is primarily a collection court, and the main beneficiaries of the proposed increase will be those who collect bills. Contrary to the image of a "people's court," the large majority of consumers who are parties in small claims court are there as defendants, not as plaintiffs. Most small claims court cases are collection cases in which a creditor or a debt buyer sues a debtor over an unpaid bill, with credit card debts and medical bills among the most frequent types of cases. A very large number of those cases result in default judgments in which the defendant does not respond to the papers or does not appear for trial. Indeed, with the exception of housing cases, only a small percentage of small claims cases reflect the "people's court" model of a consumer suing a business or even of one individual suing another individual.
- The informal procedure of small claims court is intended for "small" claims. As the jurisdictional maximum is increased, the purpose of the court becomes distorted. An amount as high as \$10,000 is not a "small" claim. There is no right to appeal a small claims decision. Increasing the jurisdiction risks undermining the nature of the court.
- The proposed increase far outstrips any adjustment based on inflation. The small claims maximum was set at \$5,000 in 2005. Since then (Oct. 2005), the Consumer Price Index (CPI) has risen 17.3% (Jan. 2015). This bill would raise the maximum by 100%. Indeed, every increase in the small claims maximum, going back to 1981 when it was set at \$1,000, has been at a rate much greater than inflation. Thus, the inflation rate from 1981 to 2005 was 113.3%. In contrast, the small claims maximum during that same period went up by 400.0%. It should come as no surprise that these non-inflation-related increases have significantly changed the character of small claims court.
- The present \$5,000 maximum is a common maximum that is well within the national and regional norm. Although state maximums vary widely (from \$2,500 in Rhode Island to \$25,000 in Tennessee), Connecticut's present \$5,000 jurisdictional limit is the same as Vermont and New York and higher than the \$3,000 maximum in New Jersey.